

Message Text

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PAGE 01 STATE 185682 TOSEC 080164
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FOR HODDING CARTER FROM PA

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TAGS:OVIP, SOPN (VANCE, CYRUS

SUBJECT: PRESS MATERIAL

1. HEREWITH FULL TEXT GRAHAM HOVEY BY-LINER, NEW YORK
TIMES, SATURDAY, AUGSUT 6, 1977, HEADED "HOPES RISE ON
CANAL TALKS; INDEFINITE U.S. ROLE APPEARS TO BE LIKELY."
BEGIN TEXT:

2. THE CARTER ADMINISTRATION'S HOPES FOR EARLY CONCLUSION
OF A NEW PANAMA CANAL TREATY, ONE OF THE PRESIDENT'S
HIGHEST PRIORITIES IN FOREIGN POLICY, MOUNTED
DRAMATICALLY TODAY AS WORD SPREAD ABOUT A SPEECH MADE
IN COLOMBIA BY PANAMA'S CHIEF OF GOVERNMENT.

3. BRIG. GEN. OMAR TORRIJOS HERRERA ASKED FIVE LEADERS
OF NEIGHBORING COUNTRIES TO SUPPORT A NEW TREATY UNDER
WHICH THE UNITED STATES WOULD TURN OVER CONTROL OF THE
CANAL AND THE CANAL ZONE TO PANAMA BY 2000 BUT WOULD
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 185682 TOSEC 080164

RETAIN AN INDEFINITE ROLE IN THE DEFENSE OF THE WATERWAY.

4. THE UNITED STATES NEGOTIATING TEAM, LED BY ELLSWORTH
BUNKER AND SOL M. LINOWITZ, HAD BEEN WAITING ANXIOUSLY
FOR INFORMATION ABOUT THE CONTENT OF GENERAL TORRIJOS'S
MESSAGE TO THE LEADERS OF COLOMBIA, COSTA RICA, MEXICO,
JAMAICA AND VENEZUELA.

5. WHEN THEY LEARNED THAT THE GENERAL HAD USED THE BOGOTA MEETING TO APPEAL FOR SUPPORT IN CONVINCING HIS OWN PEOPLE THAT PANAMA HAD OBTAINED THE BEST TERMS POSSIBLE,

THE MEMBERS OF THE AMERICAN NEGOTIATING TEAM IMMEDIATELY BEGAN PACKING FOR A FLIGHT TO PANAMA SUNDAY WITH THE HOPE OF LAUNCHING THE FINAL ROUND OF NEGOTIATIONS THERE MONDAY.

6. FOR THE RECORD, THE STATE DEPARTMENT WOULD SAY ONLY THAT IT EXPECTED A RESUMPTION OF THE NEGOTIATIONS IN PANAMA SOMETIME NEXT WEEK. REMEMBERING THAT HOPES HAD BEEN ABRUPTLY DASHED IN EARLIER NEGOTIATING ROUNDS, THE AMERICAN NEGOTIATORS WERE ADVISING CAUTION IN ASSESSING THE NEW DEVELOPMENT.

7. BUT THE GROWING OPTIMISM OF MOST OFFICIALS INVOLVED IN THE NEGOTIATIONS WAS UNMISTAKABLE. THE OFFICIALS FELT THAT GENERAL TORRIJOS HAD FINALLY COMMITTED HIMSELF, EVEN IF IN CLOSED SESSION, TO A SOLUTION TO THE CANAL ISSUE THAT WOULD BE ACCEPTABLE TO THE UNITED STATES.

8. THE AMERICAN OFFICIALS EXPRESSED CONFIDENCE THAT THE FIVE LEADERS WHOM GENERAL TORRIJOS ADDRESSED WOULD HELP HIM DEFEND THE CONCESSIONS HIS NEGOTIATORS HAD MADE. ALL OF THEM HAVE SUPPORTED PANAMA'S LONG-STANDING ASPIRATION TO ASSUME FULL CONTROL OVER THE CANAL AND THE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 185682 TOSEC 080164

533- SQUARE-MILE CANAL ZONE.

9. OPTIMISM HAD BEEN GROWING IN WASHINGTON DURING A SERIES OF INFORMAL NEGOTIATING SESSIONS HERE DURING THE LAST WEEK, MAINLY BECAUSE OF A SUBSTANTIAL NARROWING OF DIFFERENCES BETWEEN THE TWO SIDES ON THE KEY ECONOMIC ISSUE.

10. THIS INVOLVES THE ANNUAL AMOUNT TO BE PAID BY THE UNITED STATES TO PANAMA FOR THE USE OF THE CANAL DURING THE PROJECTED 25-YEAR TRANSITION PERIOD. BOTH SIDES HAD AGREED LONG AGO THAT PANAMA'S ANNUITY SHOULD BE CONSIDERABLY GREATER THAN THE PRESENT 2.3 MILLION.

11. WHEN THE ISSUE WAS FINALLY TAKEN UP FORMALLY IN JUNE, HOWEVER, PANAMA STARTED BY DEMANDING A \$1.2 BILLION INITIAL PAYMENT AND AN ANNUITY OF \$150 MILLION WAS REGARDED BY THE CARTER ADMINISTRATION AS WILDLY UNREALISTIC.

12. THE AMERICAN NEGOTIATORS INSISTED THAT THERE COULD BE NO GUARANTEED LUMP-SUM PAYMENT AND THAT THE INCREASED ANNUITY WOULD HAVE TO COME FROM THE CANAL TOLLS, WHICH

PRESUMABLY WOULD BE RAISED. AT FIRST THE AMERICANS PROPOSED AN ANNUITY OF ABOUT \$30 MILLION, BUT THEY HAVE INDICATED A WILLINGNESS TO GO UP TO \$50 MILLION A YEAR OR PERHAPS SLIGHTLY HIGHER.

13. AMERICAN OFFICIALS WOULD NOT DISCLOSE THE PRESENT BARGAINING POSITIONS OF THE TWO SIDES, BUT DID SAY THEY ARE NOW WITHIN STRIKING DISTANCE OF AGREEMENT ON THE MATTER.

14. THE AMERICAN NEGOTIATORS HAVE SAID THAT INSTEAD OF A LUMP-SUM, GUARANTEED PAYMENT, TO BE MADE IN ADVANCE, THE ADMINISTRATION WOULD GIVE SYMPATHETIC CONSIDERATION TO MAJOR ECONOMIC ASSISTANCE TO PANAMA FOR DEVELOPMENT
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 185682 TOSEC 080164

PROJECTS. LARGE SCALE AID OF THIS KIND WOULD HAVE TO BE AUTHORIZED AND APPROPRIATED BY CONGRESS.

15. THE MOST POLITICALLY EXPLOSIVE ISSUE IN BOTH COUNTRIES WAS THE ROLE THE UNITED STATES WOULD HAVE IN HELPING TO DEFEND THE CANAL AFTER THE EXPIRATION OF THE NEW TREATY.

16. THE SOLUTION FINALLY AGREED TO WAS A SEPARATE PROTOCOL OF INDEFINITE DURATION, WHICH WOULD NOT AUTHORIZE THE UNITED STATES TO INTERVENE AGAINST PANAMA ITSELF, BUT WOULD GIVE THE UNITED STATES THE RIGHT TO HELP DEFEND THE "NEUTRALITY" OF THE CANAL AGAINST ANY THIRD PARTY.

17. THE PROTOCOL WOULD BE DEPOSITED WITH THE ORGANIZATION OF AMERICAN STATES AND COULD BE SIGNED BY OTHER LATIN AMERICAN GOVERNMENTS, THUS PRESUMABLY DILUTING THE POLITICAL EFFECTS IN PANAMA THAT WOULD RESULT FROM GRANTING THE UNITED STATES EXCLUSIVE DEFENSE RIGHTS.

18. ADMINISTRATION OFFICIALS BELIEVE VALUABLE MOMENTUM FOR RESOLUTION OF THE DISPUTE WAS GAINED LAST WEEK WHEN PRESIDENT CARTER CALLED THE CHIEF NEGOTIATORS FOR BOTH SIDES TO THE WHITE HOUSE TO URGE THEM TO CONCLUDE THEIR WORK AND SIMULTANEOUSLY SENT A PERSONAL LETTER TO GENERAL TORRIJOS.

19. THE PRESIDENT'S LETTER PRAISED THE GENERAL FOR HIS LEADERSHIP IN ADVANCING THE NEGOTIATIONS BUT WARNED THAT THE UNITED STATES COULD NOT BE EXPECTED TO MAKE ANY FURTHER MAJOR CONCESSIONS, EITHER ON THE MATTER OF ANNUAL PAYMENTS OR CONCERNING MORE RAPID TRANSFERS OF CANAL ZONE INSTALLATIONS TO PANAMANIAN CONTROL.

UNCLASSIFIED

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PAGE 05 STATE 185682 TOSEC 080164

20. "UNTIL THE WHOLE THING IS BUTTONED UP, YOU CAN'T
SAY IT'S FINAL," AND ADMINISTRATION OFFICIAL INVOLVED IN
THE NEGOTIATIONS WARNED TODAY AFTER HEARING ABOUT GENERAL
TORRIJOS'S REPORT IN BOGOTA. THEN HE ADDED,"BUT WE'RE CER-
TAINLY GETTING A LOT OF POSITIVE VIBES FROM DOWN THERE." CHRISTOPHER

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